

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Internal Audits Follow-up Status Report

ITEM NUMBER: 8

ATTACHMENTS: 1

ACTION: _____

DATE OF MEETING: June 4, 2003

INFORMATION: X

PRESENTER: Way Lee

In accordance with Internal Auditing Standards (IA Standards), we have taken steps to determine the adequacy, effectiveness, and timeliness of actions taken by management on reported audit engagement observations and recommendations (conditions). This includes conditions reported by CalSTRS' external auditors as well as those reported by the Office of Audits.

At Attachment 1 we have provided a report on the unresolved conditions from CalSTRS' internal and external audits. Unresolved conditions are those conditions for which management is in the process of implementing corrective action. The last column of the report identifies the current status of corrective actions taken by management in response to observations and recommendations.

IA Standards recognize that senior management is responsible for deciding the appropriate action to be taken in response to reported observations and recommendations and that management may decide to assume the risk of not correcting the reported condition because of cost or other considerations. CalSTRS' Audit Chief is responsible for assessing management's action and determining the nature, timing, and extent of follow-up procedures necessary. In determining appropriate follow-up procedures, the IA Standards allow the Audit Chief to determine whether management's oral or written response shows that action already taken by management is sufficient when weighed against the relative importance of the condition. On such occasions, follow-up testing or verification can be performed as part of the next audit of the program or activity in question.

At the request of the Board, we no longer report on those conditions that the Office of Audits has determined to be resolved. Resolved conditions are those for which management has effectively implemented corrective action or for which senior management or the Board has decided to assume the risk of not correcting the reported condition. We did have conditions that moved from an unresolved status to a resolved status during this quarterly reporting period. The applicable audit and the number for those newly resolved conditions are identified on the next page.

<u>Audit</u>	<u>Number of Conditions Moved to Resolved Status since March 2003</u>
External CPA's Management Report	1
Internal Equities Preliminary Review	2
Soft Dollars Program	<u>3</u>
Total items moved to resolved status during quarter:	<u>6</u>